

Message Text

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FM SECSTATE WASHDC

TO USMISSION OECD PARIS IMMEDIATE

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PASS TO MYRON B. KRATZER

FOLLOWING SENT ACTION SECSTATE WASHDC INFO ANKARA BERN BONN
BRUSSELS COPENHAGEN DUBLIN
LONDON LUXEMBOURG MADRID OSLO
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EC BRUSSELS OECD PARIS USMISSION NATO FROM ROME 11 JUN 75:

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E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: ENERGY: CONTROVERSY OVER THE MINIMUM SAFEGUARD PRICE

1. SUMMARY: GOI MINISTER OF INDUSTRY CARLO DONAT-CATTIN'S
DECLARATIONS TO THE PRESS AT IEA MINISTERIAL IN PARIS THAT
ITALY WAS OPPOSED TO MINIMUM SAFEGUARD PRICE (MSP) FOR IM-
PORTED PETROLEUM HAS TOUCHED OFF MINOR CONTROVERSY IN ITALY,
AND EXPOSED PUBLICALLY DISSENSION ON MSP WITHIN GOI AND OTHER
SECTORS ITALIAN THINKING. PRESIDENT FORD VISIT USED AS OP-
PORTUNITY TO RE-AFFIRM GOI ADHERENCE TO MSP PRINCIPLA, BUT
GOI SPOKESMEN HAVE LINKED MSP TO QUID PRO QUO ON THE ITALIAN
NUCLEAR PROGRAM. END SUMMARY.

2. IN A MAY 28 PRESS CONFERENCE IN PARIS FOLLOWING THE IEA
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MINISTERIAL, MINISTER OF INDUSTRY DONAT-CATTIN DECLARED THAT
ITALY WAS OPPOSED TO THE MINIMUM SAFEGUARD PRICE (MSP) PRO-
POSALS. HIS REMARKS WERE MADE FOLLOWING APPARENT REJECTION
OF GOI-SPONSORED WORDING OF PARAGRAPH 5 OF THE FINAL COMMUNI-

QUE THAT IEA MEMBERS WOULD MAKE PRECISE FINANCIAL COMMITMENTS HELPING ITALY FINANCE ITS AMBITIOUS NUCLEAR PROGRAM. INITIALLY, DONAT-CATTIN'S REMARKS ON THE MSP RECEIVED LITTLE PRESS ATTENTION, DESPITE COVERAGE OF OTHER ELEMENTS OF THE PRESS CONFERENCE.

3. THE DONAT-CATTIN STATEMENT WAS ANSWERED EDITORIALY BY THE VOCE REPUBBLICANA, OFFICIAL ORGAN OF THE REPUBLICAN PARTY (PRI), WHICH REMINDED DONAT-CATTIN THAT GOI SUPPORT FOR THE MSP CONCEPT HAD BEEN APPROVED IN LATE MARCH BY THE MINISTERIAL COORDINATING COMMITTEE FOR INTERNATIONAL ECONOMIC PROBLEMS UNDER THE LEADERSHIP OF PRESIDENT OF THE COUNCIL MORO AND SUPPORT FOR THE MSP HAD NOT BEEN RESCINDED. FURTHER, THE GOI HAD REITERATED ITS SUPPORT OF THE MSP IN A SERIES OF INTERNATIONAL MEETINGS. THE EDITORIAL WENT ON TO POINT OUT THE EMBARRASSMENT THAT DONAT-CATTIN'S ACTION HAD CAUSED TO OTHER ITALIAN MINISTERS AND THE DAMAGE WHICH IT HAD DONE TO ITALY'S GENERAL INTERESTS, IN VIEW OF THE NEED FOR MAXIMUM ITALIAN SOLIDARITY WITH OTHER CONSUMING COUNTRIES AND DEVELOPMENT OF ITALY'S NUCLEAR ENERGY PROGRAM. EDITORIAL ENDED BY CALLING FOR THE URGENT INTERVENTION OF THE PRESIDENT OF THE COUNCIL MORO.

4. VOCE REPUBBLICANA EDITORIAL WAS ANSWERED BY NOTE FROM MINISTER OF INDUSTRY STATING THAT DECISION REACHED BY INTERNATIONAL COORDINATING COMMITTEE WAS NOT REPT NOT AUTHORITY AND ANYWAY, POSITION OF DONAT-CATTIN WAS SAME AS THAT OF MINISTER OF FOREIGN AFFAIRS SINCE THERE WAS NO MENTION OF THE "FLOOR PRICE" IN THE FINAL COMMUNIQUE OF THE IEA MINISTERS. ALSO, CENSORING ONLY DONAT-CATTIN WAS UNFAIR GIVEN SIMILAR PUBLIC DECLARATIONS OF OTHER GOI FIGURES SUCH AS BANK OF ITALY GOVERNOR CARLI. POINT WAS MADE THAT MSP VALUABLE TO ITALY ONLY IF SIGNIFICANT EXTERNAL FINANCIAL RESOURCES WERE AVAILABLE FOR ITALIAN NUCLEAR PROGRAM.

5. THE JUNE 3 PRESIDENT FORD VISIT WAS USED TO RE-AFFIRM GOI ADHERENCE TO MSP IN JUNE 3 PRESS CONFERENCE BY COUNCIL PRESIDENT MORO, WHO ALSO ADVANCED IDEA THAT ADHERENCE TO MSP DE-LIMITED OFFICIAL USE
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SERVED "COMPENSATION". GENERALLY, HOWEVER, MEDIA COVERAGE OF SUBSTANTIVE EXCHANGES BETWEEN PRESIDENT FORD AND GOI OFFICIALS EXTREMELY LIMITED. IN THE ENERGY AREA, ONLY BRIEF MENTION MADE OF POSSIBLE US ASSISTANCE TO ITALIAN NUCLEAR REACTOR CONSTRUCTION PROGRAM, NEED TO RE-LAUNCH PRODUCER/CONSUMER DIALOGUE AND GENERAL SUPPORT US INITIATIVES IN RAW MATERIALS. MORO DESCRIBED US REACTION AS "ATTENTIVE."

6. COMMENT: ACCELERATING PACE OF DECISIONS TOWARDS ADOPTION OF MSP AND REPORTS THAT LEVEL WILL BE IN US DOLS 11-13 RANGE ARE SOLIDIFYING DOMESTIC ITALIAN OPPOSITION TO MSP, AND DONAT-CATTIN'S REMARKS SHOULD FURTHER EMBOLDEN CRITICS, PARTICULARLY

LARLY IN ABSENCE OFFICIAL REBUKE TO DONAT-CATTIN. CONFINDUS-
TRIA, ITALIAN PRIVATE INDUSTRIALIST'S ASSOCIATION, PUBLICALLY
RELEASED POSITION PAPER (GENERALLY FOLLOWING LINAS REPORTED
ROME A-154, 4/2/75) CONFIRMING ITS LONG-KNOWN OPPOSITION TO
MUP. MAJOR CRITICISM IS THAT MSP WOULD PREVENT ITALY FROM
TKAING ADVANTAGE OF AN OIL PRICE BREAK, AND HAS NO COMPENSAT-
ING DIRECT ADVANTAGES FOR ITALY. AS WELL, ADHERENCE TO MSP
LINKED IN PUBLIC MIND WITH EXTERNAL SUPPORT FOR ITALIAN NU-
CLEAR CONSTRUCTION PROGRAM; BY MANY, SPECIFICALLY TO US
FINANCIAL SUPPORT. REPORTS FROM WASHINGTON (CITING ITALIAN
DIPLOMATIC SOURCES) INDICATING EXIM SUPPORT FOR PROGRAM WIDELY
CARRIED IN ITALIAN PRESS, BUT INABILITY EXIM OR OTHERS TO
FINANCE ENTIRE 20-REACTOR PROGRAM ALSO NOTED.

7. WE SEE EMERGENCE PUBLIC CRITICISM AT THIS TIME RELATED AS
WELL TO (A) WIDELY-REPORTED US DOMESTIC OPPOSITION TO PRESI-
DENT FORD'S ENERGY PROGRAM; (B) DIMINISHING UENSE OF THREAT
AS EMBARGO MEMORIES FADE AND ITALIAN B-O-P SITUATION IMPROVES
AND (C) RECOGNITION THAT DIMENSIONS OF ITALIAN NUCLEAR PRO-
GRAM -- ITALY'S ONLY POSSIBLE SUBSTITUTE FOR IMPORTAD OIL --
ARE BEYOND ITALY'S MEANS OR POSSIBILITIES IN ABSENCE OF SEEM-
INGLY UNLIKELY SUBSTANTIAL EXTERNAL ASSISTANCE. NEITHER DONAT-
CATTIN'S NOR CONFINDUSTRIA'S OPPOSITION UNFORESEEN, AND GOI
HAS EVIDENTLY DECIDED NOT RPT NOT TO REBUKE DONAT-CATTIN PUB-
LICALLY, ALTHOUGH ATTACK BY VOCE REPUBBLICANA, WHICH REFLECTS
ENERGY POSITIONS OF MFA UNDER SECRETARY BATTAGLIA (PRI),
HARDLY COINCIDENTAL. DESPITE MORO'S RE-AFFIRMATION OF THE MSP,
EVIDENCE SUGGESTS THAT GOI ACCEPTANCE MSP INCREASINGLY CON-
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